



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Stockmens Financial Corporation-Security First Bank

Person to be contacted regarding this report:	Greg Hunter
CPP Funds Received:	\$15,568,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/6/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2360454
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	5415
City:	Rapid City
State:	South Dakota

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	
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<input type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	
<input checked="" type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>Although we did not participate in a leveraged program to specifically grow the investment portfolio, we did see a significant increase in securities purchased. The largest portion of the increase was in the MBS-CMO sector. That increase from year end 2008 through year end 2009 was \$21,037,012</p>
<input type="checkbox"/>	<p>Make other investments</p>	
<input checked="" type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>Like all banking institutions, managing the reserve for non-performing assets, specifically loans, required constant monitoring. The level of reserves increased by \$1,068,000 from year end 2008 through year end 2009 and the provision expense increased by \$1,916,000.</p>

<input checked="" type="checkbox"/>	Reduce borrowings	<p>Stockmens Financial Corporation has had a credit relationship with US Bank for years. During that time Stockmens maintained numerous credit facilities as part of our active liquidity resource program. With the availability of CPP Funds, we were able to pay off our credit facility of four million on 02-06-09.</p>
<input type="checkbox"/>	Increase charge-offs	
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	<p>In large part, the Senior Preferred Stock, acquired through the Capital Purchase Program, was an excellent way for Stockmens Financial Corporation to enhance their overall capital levels. Stockmens maintains \$11,568,000 as non-leveraged capital available to Security First Bank.</p>

What actions were you able to avoid because of the capital infusion of CPP funds?

We have internal covenants that are monitored on a quarterly basis. Part of the calculation we do is based on the assumption we have non-leveraged CPP funds that allow us to do proforma pushdowns of capital to the bank. Those calculations cover non-performing assets to tangible equity capital, risk based capital to total risk weighted assets, and loan loss reserves to non-performing loans. In all cases we have been able to meet those minimum guidelines without the need to use CPP Funds. Having the excess capital to manage the overall balance sheet and help stabilize earnings during these problematic times has been something the board and the management team has been able to rely on, thus allowing the management team to stay focused on the overall direction of the company. The infusion of CPP funds has provided us with an umbrella of coverage that has allowed us to manage through this economic recession while at the same time providing a level of stabilization for shareholders, regulators, and customers alike.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Having access to excess capital during a time when the pace of bank failures continues to rise has given us an opportunity to participate in the FDIC's assisted bank buyout program. Since we are a well managed, well capitalized bank, we are on the FDIC's list of banks that will receive a call if a bank is being closed in our area. Since our trade territory covers a lot of rural agricultural communities in Nebraska and South Dakota where banking services are few and far between, having access to financial services is essential during these times. If we can participate with the FDIC in assisted acquisitions in these communities and help provide financial services in the future for those communities we will attempt to do so. Even with market trends improving, the banking sector has a long way to go before we will see significant improvement. We will stay focused on risk management as well as the preservation of capital and liquidity. It is impossible to determine how much capital is enough during these times, but having the availability to utilize the balance of the Senior Preferred Stock we acquired from the U.S. Treasury in their Capital Purchase Program will help us navigate through these times.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.